

Annual Financial Report

***Arizona Department of Transportation
Maricopa County Regional Area Road Fund***

Fiscal Year Ended June 30, 2007

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Annual Financial Report
Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets (Exhibit 1)	6
Statement of Activities (Exhibit 2)	7
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds (Exhibit 3)	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Exhibit 3.1)	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit 4)	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 4.1)	11
Notes to Financial Statements	12

INDEPENDENT AUDITORS' REPORT

The Honorable Janet Napolitano
Governor of the State of Arizona, and
Members of the Legislature

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, and each major fund of the Arizona Department of Transportation Maricopa Regional Area Road Fund (the "Fund") as of and for the year ended June 30, 2007, which collectively compose the Fund's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Arizona Department of Transportation's (the "Department") management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Fund of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the Department that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the Department as of June 30, 2007, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Fund as of June 30, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Department's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte & Touche LLP
November 15, 2007

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Management's Discussion and Analysis
June 30, 2007

As management of the Arizona Department of Transportation, Maricopa County Regional Area Road Fund (Fund), we offer readers of the Fund's financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements and the accompanying notes to the basic financial statements.

Financial Highlights

- The assets of the Fund at the close of the fiscal year were \$298,051,872 compared to \$250,192,734 for fiscal year 2006, an increase of \$47,859,138 (or 19.1 percent).
- For fiscal year 2007, the Fund distributed \$264,200,772 of cash and capital assets to the Arizona Department of Transportation compared to \$188,901,539 for fiscal year 2006, an increase of \$75,299,233 (or 39.9 percent). The increase is attributable to more funds made available for construction projects as a result of the payoff of debt service requirements.
- Maricopa County Transportation Excise Tax collections totaled \$392.5 million, an increase of 6.7 percent over fiscal year 2006 and 1.2 percent below the forecast. However, the Transportation Excise Tax distributed to ADOT was \$262,263,939 compared to \$316,491,260 for fiscal year 2006, a decrease of \$54,227,321 (or 20.7 percent). This decrease is attributable to the passage of Proposition 400, which provides that Public Transportation Funds are distributed directly to the Regional Public Transportation Authority (RPTA) and are not passed through ADOT.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Fund's basic financial statements. The Fund's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to present an overall picture of the financial position of the Fund. These statements consist of the statement of net assets and the statement of activities and are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets combines and consolidates the Fund's current financial resources with capital assets and long-term obligations. This statement includes all of the Fund's assets and liabilities. Net assets are the difference between the Fund's assets and liabilities, and represent one measure of the Fund's financial health.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Management's Discussion and Analysis (continued)
June 30, 2007

The statement of activities focuses on both the gross and net cost of various activities; these costs are paid by the Fund's general tax and other revenues. This statement summarizes the cost of providing specific Fund services, and includes all current year revenues and expenses. The Fund's basic services are reported here. Taxes and federal grants finance most of these activities.

Fund Financial Statements The Fund's activities are reported in governmental funds. Reporting for these funds focuses on how financial resources flow into and out of the funds, and amounts remaining at year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Fund's general governmental operations and the basic services it provides. This information should help determine whether there are more or less current financial resources available for the Fund's programs. The reconciliation following the fund financial statements explains the differences between the government's activities, reported in the government-wide statement of activities, and the governmental funds.

Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the Special Revenue Fund which is considered to be a major fund.

Notes to Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 12 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Fund's financial health. The following tables and analysis discuss the financial position and changes to financial position for the Fund as a whole as of and for the fiscal year ended June 30, 2007.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Management's Discussion and Analysis (continued)
June 30, 2007

The following table reflects the condensed Statement of Net Assets as of June 30:

	Governmental Activities	
	2007	2006
Assets:		
Receivables:		
Accrued interest	\$ 1,167,009	\$ 933,177
Other	1,244,296	535,279
Notes and loans	1,720,571	2,131,628
Due from US Government	12,005,017	383,075
Restricted cash on deposit with the State Treasurer	281,914,979	246,209,575
Total assets	<u>298,051,872</u>	<u>250,192,734</u>
Liabilities:		
Accrued payroll and other accrued expenditures	55,494	48,695
Contracts and retainage payable	<u>24,709,728</u>	<u>22,127,762</u>
Total liabilities	<u>24,765,222</u>	<u>22,176,457</u>
Net assets:		
Restricted for capital projects	<u>273,286,650</u>	<u>228,016,277</u>
Total net assets	<u>\$ 273,286,650</u>	<u>\$ 228,016,277</u>

The total assets of the Fund were \$298.1 million, while the liabilities were \$24.8 million, resulting in net assets of \$273.3 million. The increase in net assets was due to the payoff of the debt service liabilities by the Arizona Department of Transportation. The purpose of the Fund is to provide a funding source for the construction of certain state and arterial roads within Maricopa County. To be able to construct these roads, the Fund collects excise taxes and issues bonds.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Management's Discussion and Analysis (continued)
June 30, 2007

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Fund's net assets have changed during the year:

	Governmental Activities	
	2007	2006
Revenues:		
Program revenues:		
Capital grants and contributions	\$ 47,475,055	\$ 33,066,945
General revenues:		
Transportation excise taxes	262,263,939	316,491,260
Interest on investments	12,230,767	8,890,491
Gain <loss> on sale of land	1,764,548	<437,570>
Other	520,374	3,268,111
Total revenues	<u>324,254,683</u>	<u>361,279,237</u>
Expenses:		
Distributions to other state agencies	278,980,083	186,727,688
Interest on long-term debt	-	939,901
Other	4,227	<1,573>
Total expenses	<u>278,984,310</u>	<u>187,666,016</u>
Changes in net assets	45,270,373	173,613,221
Net assets - July 1	<u>228,016,277</u>	<u>54,403,056</u>
Net assets - June 30	<u>\$ 273,286,650</u>	<u>\$ 228,016,277</u>

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found beginning on page 12 of this report.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the Fund's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Controller, Arizona Department of Transportation, 206 S. 17th Avenue, Phoenix, Arizona, 85007 or by visiting our web site at http://www.azdot.gov/inside_adot/fms/PDF/rarfin07.pdf

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Statement of Net Assets
June 30, 2007

ASSETS

Receivables:

Accrued interest	\$ 1,167,009
Other	604,976
Notes and loans (Note 4)	1,720,571
Interfund	639,320
Due from U.S. Government for reimbursable construction costs	12,005,017
Restricted cash on deposit with the State Treasurer	<u>281,914,979</u>
Total assets	<u>298,051,872</u>

LIABILITIES

Accrued payroll and other accrued expenses	55,494
Contracts and retainage payable	<u>24,709,728</u>
Total liabilities	<u>24,765,222</u>

NET ASSETS

Restricted for capital projects	<u>273,286,650</u>
Total Net Assets	<u><u>\$273,286,650</u></u>

The notes to the financial statements are an integral part of this statement.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Statement of Activities
For the fiscal year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net <Expenses> Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Highway	\$ 4,227	\$ -	\$ -	\$ 47,475,055	\$ 47,470,828
Distributions to other state agencies	278,980,083	-	-	-	<278,980,083>
Total governmental activities	<u>\$ 278,984,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,475,055</u>	<u><231,509,255></u>
General revenues:					
Transportation excise taxes					262,263,939
Interest on investments					12,230,767
Gain on sale of capital assets					1,764,548
Other					520,374
Total general revenues					<u>276,779,628</u>
Change in net assets					45,270,373
Net assets - July 1					<u>228,016,277</u>
Net assets - June 30					<u>\$ 273,286,650</u>

The notes to the financial statements are an integral part of this statement.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Balance Sheet
Governmental Funds
June 30, 2007

	Special Revenue Fund
<hr/>	
ASSETS	
Receivables:	
Accrued interest	\$ 1,167,009
Other	1,244,296
Notes and loans (Note 4)	1,720,571
Amounts due from U.S. Government	12,005,017
Restricted cash on deposit with the State Treasurer	<u>281,914,979</u>
Total assets	<u><u>298,051,872</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accrued payroll and other accrued expenditures	55,494
Contracts and retainage payable	24,709,728
Deferred revenue	<u>1,720,571</u>
Total liabilities	<u><u>26,485,793</u></u>
Fund balances:	
Reserved for:	
Capital projects	<u>271,566,079</u>
Total fund balances	<u><u>271,566,079</u></u>
Total liabilities and fund balances	<u><u>\$ 298,051,872</u></u>

The notes to the financial statements are an integral part of this statement.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

Total fund balances - governmental funds (Exhibit 3) \$ 271,566,079

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Deferred revenue 1,720,571

Net assets of governmental activities (Exhibit 1) \$ 273,286,650

The notes to the financial statements are an integral part of this statement.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2007

	Special Revenue Fund
Revenues:	
Transportation excise taxes	\$ 262,263,939
Federal grants and reimbursements	40,279,418
Reimbursements from Arizona counties and cities	7,122,358
Interest on loans receivable	144,452
Interest on investments	12,230,767
Rental income	291,499
Other	84,422
Total revenues	<u>322,416,855</u>
Expenditures:	
Distributions to other state agencies (Note 3)	<u>286,504,044</u>
Total expenditures	<u>286,504,044</u>
Excess <deficiency> of revenues over <under> expenditures	35,912,811
Other financing sources <uses>:	
Transfers in from State Highway Fund	73,279
Sale of land	<u>9,699,566</u>
Total other financing <uses> sources	<u>9,772,845</u>
Net change in fund balances	45,685,656
Fund balances - July 1	<u>225,880,423</u>
Fund balances - June 30	<u><u>\$ 271,566,079</u></u>

The notes to the financial statements are an integral part of this statement.

Arizona Department of Transportation
 Maricopa County Regional Area Road Fund
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of Governmental Funds
 to the Statement of Net Activities
 For the fiscal year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit 4) \$ 45,685,656

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2)
 are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<415,283>
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Change in net assets of governmental activities (Exhibit 2) \$ 45,270,373

The notes to the financial statements are an integral part of this statement.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Notes to Financial Statements
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Maricopa County Regional Area Road Fund (Fund) is a part of the Arizona Department of Transportation (Department) and is not a legally separate entity. The Fund was established under Title 28, Chapter 17, Article 1 of the Arizona Revised Statutes. The Fund has no component units. The Director of the Department serves as the Chief Administrative Officer and is directly responsible to the Governor. The Governor appoints a seven-member Transportation Board of the State of Arizona Department of Transportation (Transportation Board) which has responsibility for establishing a complete system of state highway routes and approving all highway construction contracts.

The Fund is responsible for funding the construction and distribution of assets to the Department by issuing revenue bonds and by the collection of an excise tax. The Fund cooperates with various governmental entities within Maricopa County in the construction and maintenance of roads.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by federal reimbursement, taxes and intergovernmental revenues.

The **Statement of Net Assets** presents the reporting entity's assets and liabilities, with the difference reported as net assets.

Restricted net assets result when constraints placed on asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions, or enabling legislation.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identified with a specific function. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Notes to Financial Statements (continued)
June 30, 2007

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Transportation excise taxes are recognized as revenues in the year they are levied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fund considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable.

The Fund reports the following major governmental fund:

The Special Revenue Fund receives Maricopa County transportation excise tax monies collected by the Arizona Department of Revenue. These monies are expended for the construction of controlled-access highways and certain arterial roads, which are included in the Maricopa County Regional Transportation Plan after the monthly debt service requirements are fully satisfied.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, the Fund generally expends the restricted resources first, and then unrestricted resources, as they are needed to maintain appropriate cash balances and finance the construction program.

The expenditures of the Fund are not governed by appropriations of the state legislature and therefore are not subject to the limitations of a legally adopted budget.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Notes to Financial Statements (continued)
June 30, 2007

The Transportation Board annually approves the Five-Year Transportation Facilities Construction Program for the Special Revenue Fund. This program lists all planned construction projects for the next five years and the related program budget.

D. Assets, Liabilities, and Net Assets

Deposits and Investments

The Fund's cash includes bank accounts, and deposits with the State Treasurer for pooled investments. All investments are carried in the name of the State of Arizona. State statutes require the State Treasurer to invest these pooled funds in collateralized time certificates of deposit, repurchase agreements, obligations of the U.S. Government and other permitted investments. All investments are carried at fair value. These balances are not subject to GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, classification because they are included in the state's investment pool.

The investment pool is not required to register (and is not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pool is reviewed monthly by the State Board of Investment in accordance with ARS §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed. As of June 30, 2007, the state's investment pools were not rated.

The Fund's investments are included in the state investment pool and these investments are not shown in the Fund's name. Therefore, the Fund presents its equity in the internal pool as required in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Receivables and Payables

Outstanding balances between the Fund and the U.S. Government and Arizona counties, cities and other state agencies are reported as interfund receivables and interfund payables.

Notes receivable represents loans made to parties who purchased assets previously owned by the Fund for highway construction purposes. The loans are made at a fixed rate and mature ten years from the date of origination.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Notes to Financial Statements (continued)
June 30, 2007

Restricted Assets

Proceeds of the Fund's governmental revenue bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants or State statutes.

Capital Assets

When the Fund comes into possession of capital assets, the assets are distributed to the Arizona Department of Transportation.

Deferred Revenues

In the government-wide statements, deferred revenues are recognized when cash, receivables, or other assets are received prior to being recognized. In the governmental funds, amounts are reported as deferred revenue until they are available to liquidate liabilities of the current period. Deferred revenues are reported in the fund statements for governmental funds. In the fund statements, the deferred revenues represent the amount for the notes receivable for loans made to parties who purchased assets previously owned by the Fund for highway construction purposes. The loans are made at a fixed rate and mature ten years from the date of origination.

Net Assets

The difference between assets and liabilities is "Net Assets" on the government-wide statements and "Fund Balance" on the governmental fund statements.

Reservations

In the fund financial statements, governmental funds report the reservation of fund balance for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose. The reservation includes restriction for the purchase of right-of-way or construction of controlled access highways.

2. SECURITIES HELD IN LIEU OF RETENTION

In accordance with Arizona law, a contractor may assign to the Department, securities in lieu of retention and will deposit with the bank, cash, time certificates of deposit in federally insured banks licensed by the State of Arizona, securities of or guaranteed by the United States of America, or other eligible securities as defined in the Arizona Revised Statutes, Title 35, Chapter 2, Article 2, Section 35-313. At June 30, 2007, the bank held assignment on securities aggregating approximately \$2.8 million in lieu of contractor retentions for construction. These additional securities are not reflected in the accompanying financial statements.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Notes to Financial Statements (continued)
June 30, 2007

3. DISTRIBUTIONS

The distributions to the Department primarily represent the distributions when the Fund comes into possession of capital assets.

Distributions to the Department and other state agencies for the year ended June 30, 2007, were as follows:

Distribution to Arizona Department of Transportation	\$ 264,200,772
Distributions to Arizona counties and cities	14,208,086
Distribution to Regional Public Transit Authority	<u>8,095,186</u>
Total	<u>\$ 286,504,044</u>

4. RECEIVABLES

Land, which was distributed to the Department, that is not used for highway construction is excess land. Excess land is returned to the Fund for sale.

Notes receivable activity for the fiscal year ended June 30, 2007, was as follows:

	Balance <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2007</u>
Mortgage notes receivable	\$ 2,131,628	\$ 1,671,276	\$ <2,082,333>	\$ 1,720,571

5. TRANSPORTATION EXCISE TAX

The Maricopa County Transportation Excise Tax, often referred to as the "1/2 cent sales tax," is a tax which may equal up to ten percent of the State transaction privilege tax rates. This transportation excise tax is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300 (passed by the voters in 1985 becoming effective on January 1, 1986), the transportation excise tax revenues are deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account are the principal sources of funding for the Regional Freeway System in Maricopa County and are dedicated by statute to the purchase of right-of-way, design and construction of controlled access highways. In addition, these revenues were an important source of funding for the Regional Public Transportation Authority and were dedicated through December 31, 2005.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Notes to Financial Statements (continued)
June 30, 2007

In November 2004, Maricopa County's voters approved Proposition 400, Maricopa County Transportation Excise Tax, which became effective January 1, 2006, and extends the "1/2 cent sales tax" for another 20 years through December 31, 2025. The sales tax extension will be used for construction of new freeways and other routes, improvements to existing freeways and other routes, improvements to the arterial street system, regional bus service and high capacity transit services such as light rail. The collections of the Maricopa County Transportation Excise Tax will be distributed as follows: freeways and other routes 56.2%, public transportation 33.3%, and arterial streets 10.5%. Only the portion of the tax revenues that relate to freeways and other routes, and arterial streets is deposited into the RARF.

6. COMMITMENTS

The Fund had outstanding commitments under construction contracts of \$233,246,597 at June 30, 2007.

	Expenditures To Date	Remaining Commitment
Construction Contracts:		
Rural Roadways	\$ 1,048,113	\$ 18,586,355
Small Urban Roadways	1,620,850	7,519,126
Urban Roadways	448,790	1,830,635
Large Urban Roadways	<u>291,978,119</u>	<u>178,849,564</u>
Sub-total	295,095,872	206,785,680
Design Contracts	87,084,968	13,180,505
Other Commitments	<u>4,810,657</u>	<u>13,280,412</u>
Total	<u><u>\$ 386,991,497</u></u>	<u><u>\$ 233,246,597</u></u>

No construction in progress is recorded in the Fund. All capital assets are transferred to the Arizona Department of Transportation's general fund.

7. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Fund expects such amounts, if any, to be immaterial.

Arizona Department of Transportation
Maricopa County Regional Area Road Fund
Notes to Financial Statements (continued)
June 30, 2007

8. SUBSEQUENT EVENTS

On September 21, 2007, the Transportation Board adopted a Master Resolution relating to Transportation Excise Tax Revenue Bonds (Maricopa County Regional Area Road Fund). Also on September 21, 2007, the Transportation Board adopted the First Supplemental Resolution authorizing the issuance of the first series of bonds under the Master Resolution in an amount not to exceed \$370,000,000.

On November 6, 2007, the Transportation Board priced \$370,000,000 in Transportation Excise Tax Revenue Bonds (Maricopa County Regional Area Road Fund) 2007 Series to pay (i) the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona and (ii) the costs of issuing the 2007 Series Bonds. The 2007 Series Bonds were issued as senior lien bonds and mature from July 1, 2008 through July 1, 2025. Net proceeds totaled \$387,403,980 (after receipt of \$20,428,792 reoffering premium and payment of \$1,897,112 in underwriting fees and costs of issuance). The bonds were rated AA+ and Aa2 by Standard & Poor's Ratings services and Moody's Investors Service, respectively.